Securities Industry Trends

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AN ANALYSIS OF EMERGING TRENDS IN THE SECURITIES INDUSTRY
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FIRM CATEGORIES GENERATE RECORD PROFITS

HIGHLIGHTS

1. The securities industry as well as all the major firm categories experienced healthy growth in both revenues and profits last year to new record levels.

2. The 10 Large Investment Banks were the only firm category to experience a decline in profit margins during 1986's bull market. Soaring expenses, particularly compensation, and fourth quarter losses on investments were the main culprits.

3. Although also hit with investment losses in the fourth quarter, the 10 National Full Line firms enjoyed a 62% increase in profits last year on 31% higher revenues.

4. Regional firms kept a strong handle on expenses last year which resulted in a 44% increase in profits bringing their profit margin back up to the industry-wide average for the first time in five years.

5. Although the securities industry has witnessed a six-fold increase in capital to $30 billion over the past five years, with similar increases for the firm categories, the return on capital dipped slightly last year and is far behind the returns enjoyed by the industry as well as major firm categories during the early Eighties.

6. Retail investor demand during last year's bull market drove commission revenues up 80% for the NYSE Discounters while their pre-tax profits tripled.

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Table 1

STATEMENT OF INCOME
TOTAL SECURITIES INDUSTRY

(In $ Millions)

Revenues	1985	1986	% Change
Commissions	8,238.4	10,472.6	27.1
Trading Profits	9,944.3	12,560.8	26.3
Investment Gains	1,089.2	1,143.3	5.0
Underwriting	4,250.3	5,938.6	39.7
Margin Interest	2,577.7	2,919.5	13.3
Mutual Fund Sales	1,642.8	2,801.1	70.5
Fees, Account Supervision	947.4	1,466.7	54.8
Research	17.8	45.6	156.2
Commodities	983.2	1,064.7	8.3
Other Securities Related	7,176.4	9,552.0	33.1
Other Unrelated	1,757.7	2,119.0	20.6
Total Revenues	38,621.2	50,082.4	29.7
Expenses			
RR Compensation	6,903.6	9,183.8	33.0
Clerical Compensation	6,218.5	8,423.2	35.5
Partner/Officer Comp.	1,119.9	1,358.0	21.3
Other Employee Comp.	331.3	439.7	32.7
Floor (Commission/Clearing)	1,310.3	1,697.8	29.6
Communications	1,921.8	2,288.1	19.1
Occupancy & Equipment	1,830.7	2,178.5	19.0
Promotional Costs	841.5	1,036.4	23.2
Interest Expense	10,127.6	12,425.4	22.7
Errors/Bad Debts	266.3	431.9	62.2
EDP	477.8	632.2	32.3
Non-Recurring Charges	98.9	70.7	(28.5)
Regulatory Fees	244.8	310.1	26.7
Other	2,797.4	4,096.2	46.4
Total Expenses	34,481.2	44,570.9	29.3
Pre-Tax Net Income	4,140.0	5,511.5	33.1

THE YEAR IN REVIEW

As was seen in March's Trends and in Table 1, the securities "industry" (defined as all New York Stock Exchange member firms doing a public business which have historically accounted for about 80% of revenues and 85% of capital of all broker-dealers operating in the U.S.) earned a record $5.5 billion of pre-tax profits, up 33.1% over 1985's then record $4.1 billion. Industry revenues also hit a record $50.1 billion last year, up 29.7% over 1985. Expense increases about matched that rise, jumping 29.3% to $44.6 billion.

All major firm categories also showed year-to-year increases in revenues and profits to record heights (due to firm category reclassification during 1986, some categories, such as Commission Introducing and New York City-based regionals, can no longer be directly compared to years prior to 1986 for most data fields).

The 10 National Full Line firms (NFLs), while still the laggard in profit margins and returns on equity and capital, showed the best year-to-year profit increase (of categories still comparable) with a 61.7% increase in pre-tax net income to a record $1.5 billion last year. This compares to only a 17% increase in profits for the 10 Large Investment Banks (LIBs). Regional firms, meanwhile, posted a healthy 44% gain in pre-tax net income.

These three major groups all achieved revenue increases of between 26% and 31% last year but as Table 2 illustrates, the LIBs' profit margin deteriorated while the others improved (although LIBs' margins are still relatively high).

Table 2

PRE-TAX PROFIT MARGINS

(In Percent)

Firm Category	80	81	82	83	84	85	86
National Full Line	10.9	6.9	8.8	8.6	(0.9)	5.6	6.9
Large Investment Banks	17.7	15.4	17.4	16.7	11.4	14.6	13.5
Regionals	14.7	11.2	11.1	12.6	2.6	9.4	11.0
New York City Based	14.8	12.6	14.0	18.3	8.9	12.3	16.1
NYSE Discounters	17.5	12.2	13.6	14.0	0.3	8.9	15.7
Commission Introducing	16.9	10.9	15.9	18.8	9.5	19.8	22.1
Total Industry	14.1	10.8	13.1	12.9	5.2	10.7	11.0

As seen, the NFLs improved their profit margin more than a full percentage point, enough to jack-up earnings 62%; but at 6.9% this group still has the lowest margins of all categories. The Regionals, which have turned in lower margins than the industry since 1982, matched the industry's 11.0% profit margin last year which, as with the NFLs, was the second consecutive year of improvement. On the other hand, the LIBs' 13.5% margin last year was a setback and was the second lowest percentage for this group during the Eighties with only 1984, when there was industry-wide poor performance, the only time when profit margins were lower for these 10 firms as a group.

Profit margins are one of data fields which should not be affected by last year's firm recategorization, and thus all categories are shown in Table 2. The three remaining firm categories all showed improved and healthy margins last year. Both the New York City-based regional firms (NYCs), a group which resembles characteristics of both Regionals and LIBs, and NYSE Discounters showed their second highest profit margins of the Eighties. Meanwhile, Commission Introducing firms (CIs), which neither carry customer accounts nor do any clearing and thus file a different, abbreviated FOCUS Report, achieved their highest margin of the Eighties and also, as they did in bull years 1983 and 1985, turned in the highest profit margin of all firm categories.

Table 3

PRE-TAX RETURN ON EQUITY

(In Percent)

Firm Category	80	81	82	83	84	85	86
National Full Line	45.0	24.6	29.8	28.1	(2.6)	17.9	20.3
Large Investment Banks	55.7	56.7	54.8	43.8	31.1	38.5	34.2
Regionals	N.A	37.2	36.0	40.5	6.8	29.0	32.7
New York City Based	N.A	42.1	43.3	50.7	19.9	31.2	35.4
NYSE Discounters	N.A	52.2	53.9	46.7	0.8	25.6	49.5
Total Industry	**49.2**	**35.9**	**40.5**	**36.6**	**13.3**	**29.4**	**28.6**
			After Tax ROE				
Securities Industry*	26.6	19.4	21.9	19.8	7.2	15.9	15.4
S&P 400	N.A	14.9	11.3	12.2	14.6	12.1	11.5

* Assumes a 46% corporate tax rate.

The poorer performance of the 10 LIBs last year was directly responsible for the drop in total industry ROE, which was dragged down to a 28.6% (pre-tax) return for 1986. As with profit margins, all the major firm categories except the LIBs showed year-to-year improvements. The securities industry's ROE still compares favorably to other industries, e.g. its nearly consistent outperformance of the S&P 400 as shown in table 3.

Table 4

STATEMENT OF INCOME
NATIONAL FULL LINE FIRMS

(In $ Millions)

Revenues	1985	1986	% Change
Commissions	3,523.6	4,517.0	28.2
Trading Profits	4,505.8	5,513.9	22.4
Investment Gains	92.4	20.5	(77.8)
Underwriting	2,074.7	2,947.0	42.0
Margin Interest	1,357.1	1,487.1	9.6
Mutual Fund Sales	1,186.0	2,024.8	70.7
Fees, Account Supervision	397.2	626.2	57.7
Commodities	624.4	737.0	18.0
Other Securities Related	2,585.6	3,652.7	41.3
Other Unrelated	365.6	370.0	1.2
Total Revenues	16,712.3	21,896.8	31.0
Expenses			
RR Compensation	4,137.0	5,498.4	32.9
Clerical Compensation	3,398.1	4,562.4	34.3
Partner/Officer Comp.	204.2	210.1	2.9
Floor (Commission/Clearing)	374.3	452.0	20.8
Communications	1,157.1	1,351.4	16.8
Occupancy & Equipment	1,067.8	1,235.5	15.7
Promotional Costs	500.4	592.6	18.4
Interest Expense	3,187.1	4,006.0	25.7
Errors/Bad Debts	180.2	313.4	73.9
EDP	181.7	229.5	26.3
Non-Recurring Charges	35.6	45.0	26.4
Regulatory Fees	123.9	165.5	33.6
Other	1,225.4	1,715.9	40.0
Total Expenses	15,772.8	20,378.0	29.2
Pre-Tax Net Income	939.5	1,518.8	61.7

NATIONAL FULL LINE FIRMS

The big story for the NFLs in 1986 was that pre-tax profits jumped a hefty 61.7%, from $940 million in 1985 to $1.5 billion last year. However, one-third of that profit, or $572 million, was earned in the first quarter where these 10 firms as a group mustered margins of 10.4%, a feat that they as a group haven't been able to maintain for a full year since 1980, when they showed a 10.9% pre-tax profit margin. When viewed quarterly, that profit margin was cut in half by the time the year was out to 5.3% in Q4 (see Table 5 below). As Table 5 clearly depicts, the NFLs' lowest profit margin during the fourth quarter coincided with record quarterly highs in both revenues and expenses.

Table 5

NFLs' 1986 QUARTERLY RESULTS

(In $ Millions)

	Q:1	Q:2	Q:3	Q:4
Revenues	5,509.9	5,461.9	5,221.9	5,703.1
Expenses	4,937.7	5,121.3	4,920.5	5,398.5
Pre-Tax Profits	572.2	340.6	301.4	304.6
Profit Margin (%)	10.4	6.2	5.8	5.3

For the year, commissions increased 28% to $4.5 billion, or 21% of all revenue, the same share as the industry average. Quarterly, commissions eased slightly, and gradually, from $1.2 billion in Q1 to $1.0 billion in Q4, or from 22.3% of revenues to 18.3%.

For trading gains, Q1 was also the best quarter. For the year, these gains increased 22% to $5.5 billion, but about one-third, $1.7 billion, was booked in Q1 with about $1.3 earned in each of the remaining quarters. This pattern, a big Q1 and then even, but slightly lower, results for the remaining quarters, matched the trading results of the industry and other major firm categories.

Firms investing for their own accounts (and in their own deals, i.e. LBOs), admittedly is still a small, but growing, business area for most of the NFLs. Though still a small segment (1/2% of 1985 revenues and 1/10% of 1986 revenues), the NFLs' 78% drop in gains from this area, down to $20.5 million net for the year, was still a damaging shot to many of the NFLs. The market conditions of the "post-Boesky" fourth quarter where most of the damage occurred - these 10 firms had booked a net gain of over $76 million during the first nine months only to witness most, $56 million, of that wiped out in fourth quarter losses. Nevertheless, as will be seen later, the LIBs which concentrate a lot of their

capital to this business line were the most adversely affected in the fourth quarter. Despite the violent earnings swings of this inherently risky business line, competitive forces keep pressuring the industry towards these principal activities as a revenue source with more and more firms adding capital to existing "principal" units or starting, building or expanding this area of capital markets providing more and more bridge financings and other merchant banking activities.

The NFLs' underwriting revenues leaped 42% last year from $2.1 billion to nearly $3 billion. That was a higher increase than the 27% increase in volume of underwritten corporate and municipal offerings from $378 billion in 1985 to $429 billion last year according to Investment Dealers' Digest (IDD, January 12, 1987). The NFLs earned half of all industry underwriting revenues last year. According to IDD, the top 15 lead managers of all domestic corporate offerings last year book-managed over 90% of the $285 billion underwritten. Of these 15, eight were NFLs and seven were LIBs. For municipals, IDD's top 15 book managers handled two-thirds of the $144 billion underwritten. Of these, seven were NFL firms, six were LIBs and two, Citicorp and Morgan Guaranty, were banks, each managing 2.2% of the muni volume. Underwriting also contributed to 13.5% of the NFLs' total revenues last year which was up from 12.4% in 1985 and is higher than the industry's 11.9% share for 1986. Also, unlike the other revenue sources already mentioned, underwriting showed its highest quarter in Q4, with one-third, or $1 billion, posted over those three months. The quarterly story, here again, matched the total industry's.

Margin interest rose a modest 10%. This was only a third of the NFLs' increase in commission revenues. Results improved slightly from quarter to quarter, rising from $352 million in Q1 to $382 million in Q4. As pointed out in the previous (March 30) Trends, there were countervailing forces affecting this revenue line for the industry during 1986. Over the 12 months, interest rates in general, as well as for margin accounts, steadily declined about 200 basis points during the period. Concurrently, margin debit balances (for the NYSE group as reported by the NYSE) showed a 37% linear increase, from $27 billion outstanding in January to $37 billion in December. This increase in debit balances made the industry's mere 13% growth in margin interest revenues somewhat surprising. Nevertheless, this is still an important revenue source for the NFLs.

The NFLs continued their expansion in mutual fund sales. Last year, revenues from mutual fund sales broached the $2 billion mark for these 10 firms. That was a 71% increase over 1985, the largest increase of any revenue line. The increase also matched the industry's 71% climb in mutual fund revenues, though that's not surprising since these 10 firms accounted for over 72% of the industry's mutual fund sale revenues. Also, mutual fund sales now account for 9% of the NFLs' revenues, up from 7% in 1985.

Account management and supervision fees was the second largest gainer on the NFLs' revenue sheet, climbing 58% to $626 million last year. The new emphasis in the industry on asset management, as well as the introduction of more fee-oriented products such as the 12b-1 mutual funds, appears to be paying off. The NFLs' have about half of the industry's revenues from these sources but the industry still broke the billion-dollar mark from these fees last year earning $1.5 billion, up 55% over 1985's total.

Other securities related revenue, which in the March 30, 1987, Trends was estimated for the industry to be about 23% M&A fees, 21% private placement fees and the balance repos and other securities related revenues for 1986, rose 41% for the NFLs to $3.7 billion, or 17% of total revenues.

On the expense side of the income statement, the NFLs had large increases in compensation costs but these increases were a little below the increases for the total industry. RR Compensation increased 32.9% to $5.5 billion, just shy of the 33.0% increase for the industry. An SIA survey, highlighted in March 1987's "Sales and Marketing Notes," analyzed recent changes in firms' sales compensation practices. The NFL firms which participated in the survey had steepened the curve on their RR payout structure by reducing payouts to lower producers. Clerical payroll increased a little faster, 34.3%, to $4.6 billion while the industry experienced a slightly larger increase of 35.5%. Senior management of the NFLs' kept their compensation increases as a group to under 3% last year vs. a 21% increase within the industry.

The NFLs added about 11,400 employees in 1986, a 9% increase which was slightly under the industry's increase. As can be seen in Table 6, the NFLs now employ just under 140,000 people (yearly average).

Table 6

EMPLOYEES

(In Thousands)

Firm Category	80	81	82	83	84	85	86
National Full Line	81.0	92.9	100.3	112.6	122.5	127.5	138.9
Large Investment Banks	15.8	17.8	19.9	23.9	25.1	27.0	31.0
Regionals	N.A	31.2	31.5	34.3	36.2	35.6	38.0
New York City Based	N.A	10.9	10.9	11.2	11.7	12.4	13.3
NYSE Discounters	N.A	0.6	1.2	1.6	2.1	2.7	3.4
Total Industry	139.8	160.6	171.0	192.0	207.5	214.6	234.2

Table 7 shows that the NFLs still employ about three-fifths of the industry's workforce with the LIBs payroll share growing while other categories' shares are declining.

Table 7

SHARE OF EMPLOYEES

(In Percent)

Firm Category	80	81	82	83	84	85	86
National Full Line	57.9	57.8	58.7	58.6	59.0	59.4	59.3
Large Investment Banks	11.3	11.1	11.6	12.4	12.1	12.6	13.2
Regionals	N.A	19.4	18.4	17.9	17.4	16.6	16.2
New York City Based	N.A	6.8	6.4	5.8	5.6	5.8	5.7
NYSE Discounters	N.A	0.4	0.7	0.8	1.0	1.3	1.5

The NFLs managed to keep the increases in their floor, communications, occupancy, equipment and promotional costs, together totalling almost $4 billion, much lower than their gains in revenues. All of these items increased from 16% to 21%, much lower than the 31% increase in total revenues.

Despite, as mentioned earlier, a 200 basis point drop in interest rates during 1986, the NFLs' interest expense rose 26% to over $4 billion. That increase was slightly larger than the 23% increase in interest expense for the industry last year.

The volume crunch in these hectic market times appears to be taking its toll in order processing. Errors and bad debt costs rose 74% for the NFLs in 1986, lopping off over $300 million that otherwise would have carried to the bottom line. This was 73% of the industry's error/bad debt costs, which, considering the volume handled by the NFLs in relation to other firms, is not all that surprising but is up substantially from their 68% share of these costs the previous year.

Still, total expenses increased 29%, less than the 31% growth in revenues which translated into a nice 62% increase in pre-tax profits to a record $1.5 billion for these 10 firms.

Table 8

STATEMENT OF INCOME
LARGE INVESTMENT BANKS

(In $ Millions)

Revenues	1985	1986	% Change
Commissions	1,127.1	1,439.2	27.7
Trading Profits	3,876.2	5,152.1	32.9
Investment Gains	409.2	522.6	27.7
Underwriting	1,376.6	1,967.9	43.0
Margin Interest	373.5	483.2	29.4
Mutual Fund Sales	28.7	51.0	77.7
Fees, Account Supervision	171.6	307.9	79.4
Research	0.3	22.4	736.7
Commodities	290.2	235.7	(18.8)
Other Securities Related	3,489.8	3,883.4	11.3
Other Unrelated	951.6	1,195.1	25.6
Total Revenues	12,097.6	15,260.5	26.1
Expenses			
RR Compensation	1,123.3	1,532.6	36.4
Clerical Compensation	1,301.7	1,918.7	47.4
Partner/Officer Comp.	401.4	522.9	30.3
Floor (Commission/Clearing)	219.3	327.2	49.2
Communications	287.4	394.0	37.1
Occupancy & Equipment	317.0	416.0	31.2
Promotional Costs	149.4	204.8	37.1
Interest Expense	5,722.3	6,434.6	12.4
Errors/Bad Debts	24.0	42.7	77.9
EDP	141.0	200.9	42.5
Non-Recurring Charges	7.0	18.8	168.6
Regulatory Fees	34.4	50.3	46.2
Other	615.4	1,129.8	83.6
Total Expenses	10,,332.0	13,193.2	27.7
Pre-Tax Net Income	1,765.6	2,067.3	17.1

LARGE INVESTMENT BANKS

As was already shown in Tables 2 and 3, the LIBs as a group were the only firm category to show deteriorations in their profit margins and ROE during bull year 1986. Table 8 shows how this group's revenues increased 26.1% (compared to 29.7% for the industry) to a record $15.3 billion. Meanwhile, expenses grew at a faster 27.7% annual clip which left the bottom line's growth a much smaller 17.1%, for a $2.1 billion pre-tax profit for 1986.

That's a 13.5% profit margin, down from 1985's 14.6% showing, and the second thinnest margin of the Eighties (Table 2), it was lower only during 1984's industry-wide slump year. The growth in expenses for these 10 firms would have been much higher were it not for a tight control on interest expense. This expense item, typically accounting for 50% to 60% of the LIBs' total expenses, accounted for less than half of total expenses last year. Interest expense grew only 12.4% while every line item for the other half of all expenses increased more than 30% each, all outpacing the overall 26% growth in revenues. In fact, non-interest expense increased a whopping 47% for the LIBs going from $4.6 billion in 1985 to $6.8 billion last year. Personnel costs, the second biggest expense, were up 41% in total to $2.8 billion while the clerical payroll portion alone was up 47% to $1.9 billion. It must be remembered that these figures, aggregated from unconsolidated FOCUS reports, are dealing with domestic operations. The LIBs have also been spending heavily on expansion in international arenas, particularly London and Tokyo, which, if it were possible to combine with their domestic data, would probably drive several of these expense increases even higher.

On the revenue side, commissions, which make up just under 10% of the LIBs' revenues, rose 27.7% last year which matched the industry performance. Commissions didn't fluctuate much quarterly, ranging between $350 million to $380 million per quarter. Trading, a full third of all revenues for the LIBs, rose 33% to a record $5.2 billion last year, outperforming the industry-wide 26% increase. The first quarter was by far the best for trading with over $1.6 billion posted during that period vs. about $1.2 billion in each remaining quarter. The LIBs also outperformed the industry's handsome 40% growth in underwriting revenues with these 10 firms posting a hefty 43% increase in this area to a record $2 billion. On a quarterly basis, the LIBs, having come off a then record $460 million in underwriting revenues in 1985's final quarter, earned $446 million in 1986 Q1, then slid a bit to $430 million in Q2. The industry also came off its record underwriting quarter in Q4 1895, $1.5 billion, and then posted a lower 1986 Q1, $1.1 billion. But for the second quarter, unlike the LIBs, the underwriting revenues shot back up to $1.5 billion and set a new record surpassing 1985's final quarter by exactly $1 million. For the second half, the LIBs then set and broke their quarterly underwriting revenue record, with $516 million posted in Q3 and then $577 million in Q4. The industry also ended the year on a record underwriting revenue quarter with $1.8 billion taken in.

While the 10 NFLs accounted for half of the industry's underwriting revenues, the 10 LIBs accounted for one-third. Also, as was true for the NFLs as shown earlier, the 43% increase in revenues from underwriting posted by the LIBs far outpaced the 27% increase in total volume of corporate and municipal securities underwritten in 1986 vs. 1985. As was also discussed earlier, seven of the 10 LIBs made the top 15 underwriting ranks for corporate securities and six made this list for municipal bonds.

In account supervision fees, the LIBs followed the same trend as the industry registering a 79% increase to a record $308 million. That not only followed the industry trend but surpassed the industry's 55% growth in this area and the NFLs' 58% increase. The final quarter was by far the best in this area with more than half, or $166 million posted over these three months. That was triple the level of any of the other three quarters where fees ranged from $40 million to $54 million.

While the industry and the NFLs posted 33% and 41% gains, respectively, in other securities related revenues (M&A, private placements, repos, etc.), the LIBs managed only an 11% increase in this area. Also not helping was a 19% drop in commodities revenues which could have been even worse were it not for a strong final quarter, $182 million booked or 77% of the year's total.

Saved for last was how the LIBs performed in investing for their own account. This is the "hot" new area that many firms, particularly these LIBs, are targeting for future revenue and profit growth. Taking principal equity positions in deals a firm is acting as investment banker for is growing as a trend and as a profit source. It's betting, and thus risking, a firm's own capital on companies' prospects instead of just on securities business lines and inventory. Earlier we saw how the NFLs' profits in this area were wiped out in the post-Boesky fourth quarter period resulting in a 78% year-to-year drop in revenues from this area. The industry posted a year-to-year increase of a mere 5% from investment gains to $1.1 billion whereas at mid-year that stood at a higher $1.2 billion - a lackluster third quarter gain of $174 million was more than wiped out by a fourth quarter loss in excess of $200 million.

So, on the surface the LIBs appeared to have fared very well in investing for their own account. This group posted a 28% year-to-year increase in investment gains, outpacing their 26% overall revenue increase. But they also didn't escape the

volatility of this type of activity. In fact 56%, or $112 million, of that fourth quarter $200 million loss was caused by these 10 firms. Table 9 shows how cyclical this activity has been for the LIBs on a quarterly basis.

Table 9

LIBs' QUARTERLY INVESTMENT GAINS (LOSSES)

(In $ Millions)

Quarter	85:1	85:2	85:3	85:4	86:1	86:2	86:3	86:4
Gain (Loss)	94.1	125.6	28.7	160.8	236.0	284.4	115.0	(112.8)

Obviously, this area is unpredictable quarter to quarter but overall the LIBs have been generating sizable revenues from investing for their own account. With over a half billion dollars earned in this area last year by these 10 firms, this trend will continue as so many firms have already stipulated and have already set aside increased amounts of capital specified for principal investing.

Table 10

STATEMENT OF INCOME
REGIONAL FIRMS

(In $ Millions)

Revenues	1985	1986	% Change
Commissions	1,352.3	1,642.7	21.5
Trading Profits	712.3	929.5	30.5
Investment Gains	57.0	47.7	(16.3)
Underwriting	592.2	711.4	20.1
Margin Interest	277.7	277.7	0.0
Mutual Fund Sales	370.2	659.5	78.1
Fees, Account Supervision	58.6	86.9	48.3
Research	11.0	9.2	(16.4)
Commodities	44.3	46.1	4.1
Other Securities Related	471.3	461.7	(2.0)
Other Unrelated	68.3	95.3	39.5
Total Revenues	4,015.0	4,967.4	23.7
Expenses			
RR Compensation	1,117.2	1,422.2	27.3
Clerical Compensation	711.4	881.0	23.8
Partner/Officer Comp.	273.9	335.6	22.5
Other Compensation*	N.A	86.2	N.A
Floor (Commission/Clearing)	193.6	228.3	17.9
Communications	269.2	307.0	14.0
Occupancy & Equipment	219.4	248.5	13.3
Promotional Costs	104.7	125.7	20.1
Interest Expense	366.5	330.3	(9.9)
Error/Bad Debts	27.6	34.6	25.4
EDP	64.4	75.0	16.5
Non-Recurring Charges	4.8	2.3	(52.1)
Regulatory Fees	33.3	37.2	11.7
Other	249.5	307.4	23.2
Total Expenses	3,636.5	4,421.3	21.6
Pre-Tax Net Income	378.5	546.1	44.3

*From FOCUS Part II-A short form filers, not available prior to 1986

REGIONALS

Although the Regional firms underperformed the industry in terms of total increase in revenues last year, 23.7% vs. 29.7% (Table 10), as a group these firms kept a much better handle on costs, particularly non-personnel costs. The Regionals' costs increased 21.6%, lower than their revenue gain and much lower than the industry-wide 29.3% growth in costs. Thus, these firms turned in a 44.3% increase in pre-tax net income, from $379 million in 1985 to $546 million in 1986.

Commission revenues are still the main revenue driver of the Regional firms accounting for a third of all dollars booked. However, last year's 21.5% growth in commission revenues for the Regionals trailed their increases in total revenues as well as the 27.1% industry-wide growth in commissions. Regionals' commission also showed a near linear decline from the first quarter's $446 million commission intake to the final quarter's $389 million showing.

For trading profits, the Regionals mustered a better than industry-average 30.5% increase and the quarterly results hovered in a narrow $240 million to $280 million range. This area now accounts for 19% of the Regionals' revenues.

For investment gains, the Regionals, unlike the industry and the NFLs and LIBs, didn't book a fourth quarter in the red, but came awfully close with a net gain of merely $2.3 million in Q4 vs. $11 million to $19 million in each of the preceding three. That still brought the annual total in investment gains to only $48 million, down 16% from the $57 million earned in 1985.

Underwriting revenues still made up about 15% of total Regionals' revenues but the 20% increase in this area over 1985's results was only half the increase the industry enjoyed. Earlier this year, the SEC, in a report it had commissioned, finally confirmed what was general knowledge...that its Rule 415 had hurt Regional firms' underwriting business, to the tune of $432,000 in lost underwriting revenues per Regional firm annually. Therefore it's not surprising that, as an example, Regionals accounted for 12% of the industry's underwriting revenues last year vs. 21% in the pre-415 year of 1981. Still, the Regionals followed the industry's quarterly upward trend in underwriting revenues rising from $140 million in Q1 to a record $196 million in Q4.

Margin interest revenues for Regionals held steady at about $70 million per quarter for an annual total of $277.7 million, exactly matching 1985's results. This compares to 10% and 29% gains for the NFLs and LIBs, respectively, which when combined with Regionals' margin interest, account for four-fifths of the industry's total revenues from this source. As delineated earlier, the year's 200 basis point decline in prevailing interest rates mitigated what may have otherwise been higher results. What is really surprising is that $278 million result for 1985 and 1986 is

almost half the record $504 million in margin interest revenues the Regionals posted in 1981 and this has been steadily declining (with the exception of 1984) in aggregate dollars while most other revenue sources keep rising and as a percent of total revenues (see Table 11).

Table 11

REGIONALS' MARGIN INTEREST REVENUES

Year	81	82	83	84	85	86
$ Millions	503.6	311.4	307.9	400.3	277.7	277.7
% of Total Revenues	18.5	11.1	8.5	12.4	6.9	5.6

For the total industry, 1981 had also stood as the record year for margin interest revenue with $2.89 billion but last year this was finally exceeded with the new record $2.92 billion posted. It also must be remembered that interest rates peaked out in 1981: as measured by the prime bank rate, 1981 began with a record 21.5% prime which has since been slashed to almost one-third that level last year. The bottom line is that Regionals controlled 30% of the industry's margin interest business (as measured by revenues) five years ago which has dramatically fallen off to less than 10% last year.

Mutual fund revenues, on the other hand, rose 78% to a record $660 million for the Regionals last year which did outpace the total industry's 71% gain. "Other securities related" revenues steadily rose from $96 million in Q1 to $139 million in Q4.

Total personnel compensation rose 30% for the Regionals last year which was more than the Regionals' revenue gains but less than the 33% rise in personnel costs for the industry.

The balance of the expense sheet showed relative and actual improvements. Errors and bad debt, a relatively small figure for the regionals at $35 million, rose 25%, slightly more than revenues' 24% gain, but every other expense item increased less than revenues' gains or actually declined. The 18% increase in floor costs was nearly half the 30% industry increase as was EDP costs, 17% vs. 32%. The 14% increase in communications expense was lower than the industry's 19% rise as were the increases in occupancy and equipment costs, promotional expenses, EDP costs, regulatory fees and other expenses. Two categories actually declined: non-recurring charges were slashed in half while interest expense dropped about 10%.

Profits, on a pre-tax basis, fell from a high of $163 million in Q1, to $159 million in Q2, to a low of $98 million in Q3 and then bounced back up to $126 million in the final quarter.

Table 12

STATEMENT OF INCOME
NYSE DISCOUNTERS

(In $ Millions)

Revenues	1985	1986	% Change
Commissions	298.6	539.2	80.6
Trading Profits	8.7	9.7	11.5
Investment Gains	2.3	6.8	195.7
Margin Interest	87.4	148.2	69.6
Mutual Fund Sales	3.2	8.7	171.9
All Other	84.6	180.9	113.8
Total Revenues	484.8	893.5	84.3
Expenses			
RR Compensation	23.2	23.1	(0.4)
Clerical Compensation	62.2	112.0	80.1
Partner/Officer Comp.	10.0	16.8	68.0
Other Compensation*	28.7	50.5	76.0
Floor (Commission/Clearing)	56.6	140.5	148.2
Communications	34.6	43.2	24.9
Occupancy & Equipment	33.3	41.8	25.5
Promotional Costs	18.6	22.9	23.1
Interest Expense	75.0	120.9	61.2
Error/Bad Debts	2.4	7.0	191.7
EDP	17.6	40.8	131.8
Regulatory Fees	3.0	4.4	46.7
Other	76.6	129.1	68.5
Total Expenses	441.8	753.1	70.5
Pre-Tax Net Income	43.0	140.4	226.5

NYSE DISCOUNTERS

The following is a brief discussion of the results of the 27 discount brokers (and their subsidiaries) which are members of the New York Stock Exchange. A more detailed study of discount brokers, including the results of approximately another 100 discounters which do not hold Exchange memberships will be the topic of the next issue of Trends.

Commission revenues, which make up 60% of the NYSE Discounters' revenues, rose over 80% in 1986 (Table 12) vs. a 27% increase for all (including the NYSE Discounters) NYSE members dealing with the public. Of course, the group is small but has accounted for around 80% of all identified "pure" discount broker-dealers in the past. Also, a handful of national discount houses account for a "large" portion of the totals, but since not all of these organizations are publicly-held, the exact percentage must remain confidential.

The second largest revenue contributor (other than "other") is margin interest, accounting for about 17% of revenues, which rose 70% during 1986 vs. 13% for the industry.

Both these line items held very steady quarter to quarter. For commissions, the second quarter was the highest with $138 million in revenues while the remaining three quarters were close behind with $134 million apiece. Margin interest fluctuated in a narrow range of between $35 million and $39 million per quarter.

As can be seen in Table 12, both the larger and smaller areas of Discounter expenses were all up substantially last year. But this came about on substantially increased business and overall was to be expected. But the 71% increase in total expenses trailed substantially the 84% increase in revenues so that the bottom line more than tripled to $140 million. Last year also catapulted the NYSE Discounters back to the profitability levels they had experienced earlier in the Eighties. Their 15.7% pre-tax profit margin was their highest since 1980's 17.5% showing (Table 2) and their 49.5% pre-tax return on equity (Table 3) was back to the 47% to 54% levels in the years 1981 through 1983.

Table 13

STATEMENT OF INCOME
NEW YORK CITY-BASED FIRMS

(In $ Millions)

Revenues	1986	% Share of Revenues
Commissions	1,294.0	33.7
Trading Profits	685.1	17.8
Investment Gains	130.5	3.4
Underwriting	184.8	4.8
Margin Interest	166.0	4.3
Mutual Fund Sales	52.4	1.4
Fees, Account Supervision	253.2	6.6
Research	10.1	0.3
Commodities	10.8	0.3
Other Securities Related	965.1	25.1
Other Unrelated	87.3	2.3
Total Revenues	3,839.2	100.0
Expenses		
RR Compensation	478.4	12.5
Clerical Compensation	565.8	14.7
Partner/Officer Comp.	141.2	3.7
Other Compensation	186.0	4.8
Floor (Commission/Clearing)	243.2	6.3
Communications	121.3	3.2
Occupancy & Equipment	132.8	3.5
Promotional Costs	60.9	1.6
Interest Expense	849.5	22.1
Error/Bad Debts	13.4	0.3
EDP	36.8	1.0
Non-Recurring Charges	4.5	0.1
Regulatory Fees	28.3	0.7
Other	357.4	9.3
Total Expenses	3,220.8	83.9
Pre-Tax Net Income	618.4	16.1

NEW YORK CITY-BASED FIRMS

The New York City-based firms (NYCs) are similar in business lines to the Regional firms (which are similar to the NFLs) but are headquartered in New York. They also exhibit some of the characteristics of their larger New York LIB neighbors in terms of leverage (Table 14), and thus higher interest expense, and share of revenues derived from "other securities related" activities, e.g. M&A, private placements and repo activities.

Table 14

LEVEL OF LEVERAGE

(Average Assets to Equity)

Firm Category	80	81	82	83	84	85	86
National Full Line	15X	14X	13X	15X	18X	18X	16X
Large Investment Banks	32	31	34	31	36	42	33
Regionals	9	11	9	8	9	9	7
New York City Based	29	19	13	13	15	14	21
NYSE Discounters	4	6	8	6	7	9	11
Commission Introducing	4	4	4	5	3	2	3
Total Industry	**19**	**18**	**19**	**18**	**22**	**24**	**21**

As mentioned earlier, last year's recategorization makes it impossible to compare the NYCs' aggregates from its 1986 income statement and balance sheet to prior years but was a necessary change in order to ensure an up-to-date proper classification of NYSE firms.

However, ratio analysis is still possible and the NYCs' pre-tax profit margin of 16.1% last year was their second best of the Eighties, only exceeded by bull-year 1983's 18.3% showing (see Table 2). Also, last year's pre-tax ROE of 35.4% was the second year of improvement in this parameter, but still falls short of the 41% to 52% ROEs shown earlier in the Eighties (Table 3).

Table 13 outlines the percentage breakdown of revenues and expenses to the NYCs' 1986 total revenues. The two biggest (other than "others") revenue sources for the NYCs are commissions and trading profits, as is true for Regionals. The NYCs and Regionals both earned a third of their revenues from commissions and 18% from trading. As was true with the LIBs last year, the NYCs' "other securities related" revenues made up a quarter of all revenues. Also, as was true for LIBs, the biggest single expense item (counting each personnel cost category as separate) was interest expense, although the NYCs' 22% share of revenues is only half that of the LIBs' share.

The NYCs' commissions tapered off slightly from quarter to quarter dropping from $334 million in Q1 to $296 million in Q4. The same was true for trading gains which fell from their high of $231 million in Q1 to $140 million in Q4. The NYCs didn't escape the problems in the second half for investments either - the $130.5 million showing for the year is exactly where they stood at the end of June.

Profits showed quarterly deterioration also. Pre-tax net fell quarter-to-quarter as follows: $258 million, $146 million, $113 million, $101 million. Though not linear, this was due to increasing expenses eating into decreasing revenues.

Table 15

STATEMENT OF INCOME
COMMISSION INTRODUCING FIRMS

(In $ Millions)

Revenues	1986	% Share of Revenues
Commissions	417.9	59.7
Trading Profits	84.9	12.1
Investment Gains	23.5	3.4
Underwriting	29.2	4.2
Fees, Account Supervision	58.0	8.3
Commodities	9.4	1.3
All Other	76.8	11.0
Total Revenues	699.7	100.0
Expenses		
Total Employee Compensation	202.6	29.0
Floor (Commission/Clearing)	68.8	9.8
Interest Expense	16.2	2.3
All Other	257.5	36.8
Total Expenses	545.1	77.9
Pre-Tax Net Income	154.6	22.1

COMMISSION INTRODUCING FIRMS

The final major SIA/SEC firm category (other than "other") is Commission Introducing firms (CIs). These are all the non-carrying, non-clearing (other than the few classified as Regionals, NYCs or Discounters) which file the short Part II-A FOCUS Report. Although they are the largest group in number, about 114 firms, they are small firms which are basically brokers clearing through larger firms and only account for about 1.4% of industry revenues. As shown in Table 15, the bulk, 60%, of their revenues comes from commissions, as would be expected.

The CIs profit margins in both 1985 and 1986 were the highest of all firm categories (Table 2) and rose from about 20% to 22%. As interest expense's mere 2.3% slice of revenues would indicate, this is the least leveraged group of firms, as their business nature allows, averaging assets of only three times equity last year (Table 14).

CAPITAL EMPLOYMENT

The industry, as defined by the NYSE firms doing a public business, has witnessed a six-fold increase in capital from January 1, 1980, when it stood at $5 billion, through the close of 1986, standing at $30 billion, a period of seven years. On average, industry capital has increased 30% annually over this time frame with the largest annual increase coming last year - up 36%.

Sources of this capital have been various and discussed extensively in recent years: the equity portion of capital has been boosted by brokerages going public particularly the larger IPOs (Bear Stearns, L.F. Rothschild, Morgan Stanley, etc.), growing retained earnings over this protracted bull cycle plus the equity and subordinated liability infusions from parent organizations, most importantly the insurers and financial service conglomerates (American Express, Sears, etc.). As discussed earlier, the capital requirements of targeting "principal" activities in the securities industry has been the driver in this quest for capital.

This quest, as the 36% increase of industry capital indicates, has accelerated in recent years and is a response to the generally accepted notion that principal activities will generate multiple returns on the additional capital employed. However, Table 16 surely indicates that the returns on lower levels of capital employed in the early Eighties, about 30% on a pre-tax basis, have fallen to the 20% range on much higher levels of industry capital employed over the past few years. Of course, not all capital is employed in financing principal activities, but these activities have become not only the predominant revenue generating business lines of the industry today but continue to be the favored target for future growth (Trends data/analysis, again, focuses on domestic arena only).

Table 16

PRE-TAX RETURN ON CAPITAL

(In Percent)

Firm Category	81	82	83	84	85	86
National Full Line	14.9	23.3	23.0	(2.0)	11.8	15.8
Large Investment Banks	47.3	44.5	36.9	24.9	29.2	24.4
Regionals	64.8	29.5	35.4	5.8	24.1	29.3
Total Industry	29.0	32.3	30.7	10.4	21.4	21.3

Table 16 also shows that the major firm categories, as well as the industry in general, also are not achieving the same return on capital they enjoyed in earlier years.

ROOM FOR IMPROVEMENT

If the industry is to improve its margins what can it target on the expense side for reductions? Table 17 delineates where every dollar of revenue is used by industry and firm category.

Table 17

FIRM ANALYSIS OF 1986 COMPENSATION, INTEREST, ALL OTHER COSTS AND PROFITS, % SHARE OF REVENUES

(Percent of Total Revenues)

Firm Category	Compensation	Interest	Other Costs	Profits
National Full Line	46.9	18.3	27.9	6.9
Large Investment Banks	26.0	42.2	18.3	13.5
Regionals	54.9	6.6	27.5	11.0
New York City Based	35.7	22.1	26.1	16.1
NYSE Discounters	22.7	13.5	48.1	15.7
Commission Introducing	29.0	2.3	46.6	22.1
Total Industry	**38.7**	**24.8**	**25.5**	**11.0**

Interest expense accounts for one quarter of all industry revenues. Also, the more leveraged a firm is (see Table 14), the more revenues are devoted to covering this leverage. Compensation eats up more than a third of the industry's revenues also, ranging from 23% for Discounters to 55% for Regionals.

Compensation and interest therefore take this share of total revenues for the following: total industry - 63.5%; NFLs - 65.2%; LIBs - 68.2%; 61.5%; NYCs - 57.8%. Only the Discounters and CIs pay out a relatively small share of their revenues to these two areas, 36% and 31%, respectively. Having a bigger balance after compensation and interest to work with, it's not surprising these two groups muster the biggest profit margins.

At any rate, Table 17 capsulizes what firms in each category have to work with in targeted areas for expense management to get their margins up.

George R. Monahan

Assistant Director of Research

Table 18

INCOME STATEMENT DEFINITIONS FROM THE FOCUS REPORT

REVENUES

COMMISSIONS: Commissions from all agency equity and debt transactions (including closed-end but excluding open-end mutual funds).

TRADING PROFITS: Realized and unrealized gains and losses on securities held for sale in the ordinary course of business (net of dividends and interest earned on such securities).

INVESTMENT GAINS: Realized and unrealized gains and losses on securities identified as held for investment (exclusive of dividends and interest earned on such securities).

UNDERWRITING: Gross profits and losses from management of and participation in underwriting syndicates and selling groups (purchase vs. sales price adjusted for discounts, commissions and allowances paid or received).

MARGIN INTEREST: Interest income earned on customers' securities and commodities accounts.

MUTUAL FUND SALES: Total income from sales of investment company securities as a retailer or underwriter (includes net amount of sales load and commissions from installment sales but excludes commissions from closed-end funds).

FEES: Total fees for account supervision, investment advisory and administrative services.

RESEARCH: Revenues from the sale of research services (including income from the sale of research advice (other than as investment advisor), research reports, market letters, stock guides, portfolio analyses, and other publications and consultations.

COMMODITIES: Income from commissions, fees, and principal trading in commodities (including futures and spot contracts).

OTHER SECURITIES RELATED: Other income related to the securities business includes, among other things, private placement fees, proxy solicitation fees, service charges (such as for mergers and acquisitions), fees for options done away from an exchange, dividends and interest from investments (including repos and reverse repos), subscription fees for periodic publications (exclusive of research).

OTHER UNRELATED: All other revenues not related to securities business.

EXPENSES

RR COMPENSATION: Total compensation to registered representatives (individuals that spend 50% of their time effecting transactions with public customers) including: salary, commission or other basis.

CLERICAL COMPENSATION: All Salaries, commissions bonuses, profit sharing, payroll taxes and benefits for all employees other than RRs, voting stockholder officers and general partners.

PARTNER/OFFICER COMPENSATION: Total salaries and employee benefits for voting stockholder officers and general partners.

OTHER COMPENSATION: Non-carrying or clearing firms' salaries, commissions, bonuses, profit sharing, payroll taxes for all employees other than voting stockholder officers or general partners.

FLOOR EXPENSES: All commissions and floor brokerage fees paid to other brokers and all clearance fees paid.

COMMUNICATIONS: Expenditures for telephone, telegraph, leased wires, tickers and projectors, quotation machines, NASDAQ, postage, stationary, and office supplies.

OCCUPANCY AND EQUIPMENT: Expenditures for rent, heat, light, maintenance, repair to premises, janitorial and cleaning expenses.

PROMOTIONAL COSTS: General advertising and promotional expenses.

INTEREST EXPENSE: All interest payments other than those credited to general and limited partners' capital.

ERRORS/BAD DEBTS: Losses in error accounts and bad debts.

EDP: Rental and depreciation of data processing equipment (other than service bureau).

U.S. DOMESTIC UNDERWRITINGS

	FIRST QUARTER 1987	FIRST QUARTER 1986	% Change 1987-1986
CORPORATE FINANCING (Gross New Issues - $ Mils)			
TOTAL	$87,726.5	$68,040.2	28.9%
Common Stock	$11,512.1	$8,689.8	32.5%
# of Common Stock Issues	204	205	-0.5%
Preferred Stock	$4,367.0	$3,832.9	13.9%
# of Preferred Stock Issues	55	39	41.0%
Corporate Debt	$71,847.3	$55,517.5	29.4%
# of Corporate Debt Issues	646	548	17.9%
MUNICIPAL FINANCING (Gross New Issues - $ Mils)			
Negotiated	$24,221.5	$9,427.5	156.9%
# of Issues	654	300	118.0%
Competitive	$4,965.8	$3,865.5	28.5%
# of Issues	608	405	50.1%

Source: IDD Information Services

VOLUME

	MARCH 1987	YTD 1987	MARCH 1986	YTD 1986	% CHAN. YTD 1987-1986
AVERAGE DAILY SHARE VOLUME ON					
NYSE (MILS.)*	180.3	185.6	160.8	148.1	25.3%
AMEX (MILS.)*	15.7	15.2	15.9	13.7	11.0%
NASDAQ (MILS.)*	151.7	154.6	129.9	120.7	28.1%
REGIONAL EXCHANGE (MILS.)*	28.0	28.4	27.9	25.2	12.7%
DOLLAR VALUE OF SHARES TRADED ON					
NYSE (MILS.)	$166,316	$472,549	$123,896	$337,321	40.1%
AMEX (MILS.)	5,441	15,150	4,126	10,378	46.0%
ODD-LOT SHARES PURCHASED ON NYSE (THOUS.)	12,442	34,004	10,348	26,867	26.6%
ODD-LOT SHARES SOLD (INCLUDING SHORT SALES) ON NYSE (THOUS.)	21,236	57,475	21,782	59,516	-3.4%
NYSE BLOCK VOLUME AS A PERCENT OF TOTAL SHARES TRADED	52.9%	51.2%	49.0%	49.4%	----
CONTRACTS TRADED (THOUS.)					
CBOE OPTIONS	16,723	51,460	16,395	47,472	8.4%
AMEX OPTIONS	4,522	13,299	4,347	12,713	4.6%
COMMODITY	16,657	48,664	15,139	47,182	3.1%

*MONTHLY AVERAGE
N/A - DATA NOT AVAILABLE

PRICES
(END OF MONTH)

	MARCH 1987	MARCH 1986	% CHAN. Y-T-D 1987-1986
DOW JONES INDUSTRIALS	2304.69	1818.61	26.73%
STANDARD & POOR'S 500	291.70	238.90	22.10%
NYSE COMPOSITE	165.89	137.71	20.46%
AMEX MARKET VALUE INDEX	332.66	270.03	23.19%
VALUE LINE COMPOSITE	267.88	242.23	10.59%
NASDAQ COMPOSITE	430.05	374.72	14.77%

RECENT INTERESTING READING AND STATISTICAL MATERIAL

Item	Description	Source
Sources 1987-1988 Edition	Securities industry executive's guide to products and services. The guide consists of listings and display ads covering 70 different categories from accounting firms and clearing houses to training institutions and video production.	SIA Publications Department Price: $5.00
"The New Wall Street"	Comprehensive 2-part article tracing the developments which have shaped Wall Street since May Day. Interviews with industry executives review Wall Street's move from adviser to creator of deals.	New York Newsday 5/3-5/4/87
A Stock Transfer Tax: Preliminary Economic Analysis	Report analyzes three aspects of the tax as proposed by House Speaker Wright: 1. effect of the tax on the stock market, 2. revenue effects of the tax, and 3. incidence of the tax. Develops position that the tax could cause trading volume to decline by 12.7% and stock market prices to drop by 9.3%. In addition, the drop in volume and value would undermine the $17 billion estimate of revenue gain from such a tax.	Report No. 87-278 S Congressional Research Library of Congress Washington D.C. 20540
"First-Quarter Financing Rankings"	Quarterly rankings, with lead article focusing on development of the mortgage-related debt market. For the first quarter, the $31 billion issued in mortgage-related debt equals 36% of total domestic corporate underwritings, compared with 16% at the same time last year. Lead manager in this market is Salomon Brothers (21.8%), followed closely by First Boston (20.5%). Statistical tables include comparison with 1Q 86 rank.	Investment Dealers'Diges 4/6/87

Item	Description	Source
"Indexing goes global"	In 1985, less the 1% of the estimated $25 billion in U.S. pension money committed internationally was indexed. By the end of 1986, reportedly 10% of the estimated $45 billion in international pension monies was indexed. Article points out the pros and cons of international indexing and discusses the development of this product with various firms.	Institutional Investor 4/87
"The Prospects For Tax Stability"	Former head of Tax Analysis Division of CBO argues that for at least the next five years, the prospects for tax stability are much greater than anyone extrapolating from recent experience might expect. Several factors which could lead to tax changes are examined. Conclusion: what is now known argues against major tax legislation, but the political agenda changes as economic and political realities change.	Tax Notes 4/13/87
Fact Book 1987	NYSE's 32nd edition of fact book presenting comprehensive statistical data on 1986 activity, including concise listing of records set, most active stocks, consolidated tape volume in NYSE-listed stocks for all participating markets, and new listings and removals of common stock.	NYSE, Inc. Market Data Products 11 Wall Street New York, NY10005 Price: $5.00
"The Forbes 500"	Annual ranking of largest U.S. companies, in terms of sales, profits, assets and market value. GM is the sales winner but Exxon takes the lead in net profits.	Forbes 4/27/87